

Message Text

CONFIDENTIAL

PAGE 01 ALGIER 00540 012144Z

73

ACTION EB-07

INFO OCT-01 AF-06 EUR-12 EA-07 NEA-10 ISO-00 FEA-01

ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-04 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 /115 W

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R 011630Z MAR 76

FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 3961

INFO AMEMBASSY MADRID

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TUNIS

AMEMBASSY RABAT

AMEMBASSY TEHRAN

AMEMBASSY JIDDA

AMEMBASSY JAKARTA

AMEMBASSY LAGOS

AMEMBASSY KUWAIT

AMEMBASSY ABU DHABI

C O N F I D E N T I A L ALGIERS 0540

E.O. 11652: GDS

TAGS: ENRG, AG, US

SUBJECT: CONVERSATION WITH MINISTER ABDESSELAM: ALGERIAN HYDRO-
CARBON PRODUCTION

1. SUMMARY. ACCORDING TO ALGERIAN MINISTER OF INDUSTRY AND
ENERGY, ABDESSELAM, OIL AND CONDENSATE PRODUCTION IN
ALGERIA WILL RISE FROM 1975 LEVEL OF 900,000 B/D TO AS HIGH AS
1.6 MILLION B/D. ALGERIA PLANS TO SIGN SHORTLY CONTRACT FOR
CONSTRUCTION OF THIRD MAJOR LNG PLANT AT ARZEW (LNG-III),
PRODUCTION FROM WHICH COULD BRING LNG EXPORTS IN 1980/81 TO
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PAGE 02 ALGIER 00540 012144Z

SIX BILLION CF/D IF NO SUBSTANTIAL PROBLEMS ENCOUNTERED. END

SUMMARY.

2. ON FEB. 28 UNDER SECRETARY ROBINSON MET MINISTER OF INDUSTRY AND ENERGY ABDESSELAM AND OTHER KEY OFFICIALS OF MINISTRY. FOLLOWING IS THE FIRST OF FOUR MESSAGES DEALING WITH THIS CONVERSATION. THIS MESSAGE FOCUSES ON PRESENT ALGERIAN HYDROCARBON PRODUCTION AND PLANS FOR THE FUTURE.

3. AFTER INITIAL EXCHANGE OF PLEASANTRIES UNDER SECRETARY ROBINSON ASKED MR. ABDESSELAM WHAT ALGERIA'S PLANS RE DEVELOPMENT OF OIL AND GAS WERE FOR THE FUTURE. ABDESSELAM RESPONDED THAT IN 1975 ALGERIA HAD PRODUCED 900,000 B/D OF OIL AND IN 1976 HE EXPECTED THAT THIS PRODUCTION FIGURE WOULD RISE TO 1.1 MILLION B/D. OF THESE TOTALS APPROXIMATELY 100,000 B/D WERE USED AS FEED STOCK FOR ALGERIAN REFINERIES.

4. ABDESSELAM CONTINUED THAT ALGERIA WAS PURSUING A TWO-FOLD STRATEGY IN DEVELOPING ITS OIL PRODUCTION. ON THE ONE HAND THE COUNTRY WAS INCREASING PRODUCTION OF EXISTING FIELDS USING SECONDARY RECOVERY TECHNIQUES AND ON THE OTHER HAND IT WAS EXPLORING FOR NEW DEPOSITS. RE LATTER AREA, ABDESSELAM SAID THAT ALGERIA WAS ONLY FINDING A LIMITED NUMBER OF NEW FIELDS BUT THAT THESE WERE ENOUGH TO ADD SIGNIFICANTLY TO PRODUCTION.

5. ALGERIA WAS ALSO IN THE PROCESS OF DEVELOPING ITS CONDENSATE PRODUCTION, WHICH HAD A POTENTIAL OF 300,000 B/D. ALGERIA HAD DECIDED TO PRODUCE THIS CONDENSATE REGARDLESS OF ITS LEVEL OF GAS EXPORTS --I.E., IF GAS IS NOT EXPORTED IT WILL BE REINJECTED TO PRODUCE MORE CONDENSATE.

6. WE HOPE, ABDESSELAM SAID, THAT IN THREE TO FOUR YEARS WE WILL HAVE TOTAL OIL AND CONDENSATE PRODUCTION IN THE AREA OF 1.4 MILLION B/D. THIS, HOWEVER, WAS A CONSERVATIVE FIGURE, COUNTING ONLY PRESENTLY KNOWN RESERVES AND NOT INCLUDING POSSIBLE RESERVES WHICH MIGHT BE DISCOVERED IN COURSE OF EXPLORATION PROGRAMS. THUS, ABDESSELAM ADDED, BEFORE 1980 IT WAS SAFE TO SAY THAT TOTAL PRODUCTION COULD RISE TO 1.6 MILLION B/D. OIL AND CONDENSATE RESERVES WERE SUFFICIENT TO ALLOW SUCH PRODUCTION. THE ONLY UNCERTAINTY WAS CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ALGIER 00540 012144Z

THE SPEED WITH WHICH CERTAIN DEVELOPMENT PROGRAMS INCLUDING DRILLING, SURFACE INSTALLATIONS, PIPE-LAYING, ETC. COULD BE COMPLETED. ABDESSELAM DOWNPLAYED EFFECT OF THIS INCREASE IN PRODUCTION ON WORLD OIL MARKET, SAYING THAT PLANNED INCREASE OF ABOUT 600,000 B/D REPRESENTED NO MORE THAN CURRENT SWINGS IN SAUDI ARABIAN OIL PRODUCTION.

7. ON SUBJECT OF NATURAL GAS, ABDESSELAM SAID ALGERIA PLANNED

TO PRODUCE ON ORDER OF 10 BILLION CUBIC FEET PER DAY (CF/D). HE NOTED THAT CONTRACTS WITH THE US FIRMS FOR MORE THAN 3 BILLION CF/D HAD BEEN SIGNED, AND THAT AN EQUAL AMOUNT WOULD GO TO EUROPE. THE REMAINDER OF THE GAS (I.E., THE DIFFERENCE BETWEEN 10 BILLION CF/D AND 6 PLUS BILLION CF/D) WOULD GO FOR DOMESTIC CONSUMPTION AND LOSSES IN LNG PRODUCTION PROCESS. ABDESSELAM ADDED, HOWEVER, THAT BEYOND THE ABOVE FIGURES THERE WERE ALSO POSSIBILITIES OF TWO PIPELINE PROJECTS--ONE TO ITALY VIA THE SICILY STRAITS WITH A CAPACITY OF 1.1 BILLION CF/D AND ONE TO SPAIN AND FRANCE WITH A CAPACITY OF 1.5 TO 2.0 BILLION CF/D. RE LATTER, BECAUSE OF CURRENT SITUATION WITH MOROCCO IT WAS REASONABLE TO EXPECT THAT PIPELINE WOULD BE PLANNED TO CROSS DIRECTLY THE MEDITERRANEAN BASIN RATHER THAN TRAVERSING MOROCCO AS HAD BEEN CONSIDERED EARLIER.

8. LNG EXPORT CONTRACTS WITH EUROPEAN CUSTOMERS, ABDESSELAM CONTINUED, HAD NOT ALL BEEN FINALIZED BUT HE HOPED THAT FINALIZATION WOULD TAKE PLACE IN TWO TO THREE MONTHS. ALGERIA, HOWEVER, WAS NOT WAITING FOR ALL OF THE CONTRACT CONDITIONS TO BE SETTLED BEFORE GOING AHEAD WITH ITS PLANNED LNG CONSTRUCTION PROGRAM. ALGERIA HAD RECENTLY CONCLUDED CONTRACT WITH PULLMAN-KELLOGG FOR CONSTRUCTION OF LNG-2 AT ARZEW. PART OF GAS FROM LNG-2 WOULD GO TO DISTRIGAS OF BELGIUM AND EASCOGAS (US). ABDESSELAM THEN SAID THAT SONATRACH WOULD FINALIZE, WITHIN THE NEXT TWO TO THREE WEEKS, CONTRACT FOR LNG-3. OUTPUT FOR THIS PLANT WOULD BE USED TO FULFILL WHATEVER VALID CONTRACTS EXISTED. THIS GAS WOULD PERHAPS GO TO EUROPE BUT COULD ALSO SERVE U.S. CLIENTS IF US CONTRACTS HAD BEEN APPROVED BY THE FPC.

9. IN VIEW OF ABOVE ACTIVITIES IN THE LNG AREA, ABDESSELAM CONCLUDED, ALGERIAN LNG EXPORTS IN 1980-1981 WOULD BE 6 BILLION CF/D IF NO SUBSTANTIAL PROBLEMS WERE ENCOUNTERED. PARKER
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PAGE 04 ALGIER 00540 012144Z

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